TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 2385 – SB 2247

April 30, 2012

SUMMARY OF AMENDMENTS (015961, 016204, 016953, 017773):

Redefines the membership of the Tennessee Regulatory Authority (TRA) to consist of five part-time directors, instead of four full-time directors. Sets term expirations for existing directors. Requires monthly meetings unless the requirement is waived by majority vote of directors. Requires the directors to elect a chair and vice-chair and delineates the chair's responsibilities. Sets the salaries for the directors and establishes the minimum qualifications for each director. Creates an executive director position to be appointed by joint agreement among the Governor, the Speaker of the Senate, and the Speaker of the House of Representatives for the initial three-year term and establishes the minimum qualifications for the executive director. The directors will appoint the executive director each subsequent term. Defines the executive director's responsibilities. The compensation for the initial term of the executive director shall be equal to the compensation established for the Commissioners of the Claims Commission. The directors will set the compensation of the executive directors in subsequent years. Extends the yearly compensation of existing directors serving unexpired terms to January 1, 2013.

Amendment 016204 removes the requirement that each director have a bachelor's degree from the minimum qualifications. Amendment 016953 requires the TRA executive director to submit an annual report to the General Assembly comparing telecommunications, electricity, natural gas, water, and wastewater utility rates between Tennessee and the southeastern states. Amendment 017773 adds TRA directors to the definition of a "state employee" eligible for participation in the group insurance for state official and employees plans as approved by the general assembly.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Expenditures – Net Impact –
$347,100/Tennessee Regulatory Authority

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Decrease State Expenditures – Net Impact –
$162,800/FY12-13/Tennessee Regulatory Authority
$291,000/FY13-14 and Subsequent Years/Tennessee Regulatory Authority

Assumptions applied to amendments:

- According to TRA, the salary expense for four full-time directors is $609,600 per year ($152,400 for each director x 4 directors). Benefits are estimated at 22.5 percent for a total of $137,160 ($609,600 x 22.5%). The decrease in state expenditures for abolishing the four full-time directors is $746,760 ($609,600 + $137,160).
- The provisions of the bill as amended establish the annual salary of the five part-time directors to be $36,000 annually.
- The bill as amended allows for two existing directors to continue receiving their current yearly compensation for an additional six months, from July 1, 2012, to January 1, 2013.
- In FY12-13, three directors will receive annual compensation of $49,983 in salary and benefits {$36,000 + [($36,000 x 22.5%) + $5,883]} resulting in an increase in expenditures of $149,949 ($49,983 x 3 directors).
- The two current directors serving unexpired terms will receive their current salary and benefits for six months resulting in expenditures of $186,200 [($152,000 salary x 1.225 benefits factor) x 2 directors x ½ year].
- Two directors will receive annual compensation of $49,983 for six months beginning January 1, 2013, resulting in expenditures of $49,983 [($49,983 x 2 directors) x ½ year].
- Total expenditures for directors' salary and benefits will be $378,065 ($141,882 + $186,200 + $49,983) in FY12-13 and $249,915 ($49,983 x 5 directors) in FY13-14 and subsequent years.
- Pursuant to Tenn. Code Ann. § 9-8-303, Claims Commissioners will receive the same compensation as a Class One commissioner. Pursuant to Tenn. Code Ann. § 8-23-101 (g), a Claims Commissioner's salary shall not be less than 75 percent of the Secretary of State's salary. The current FY11-12 salary for Claims Commissioners is $12,700 per month, or $152,400 annually.
- The executive director will be paid a yearly salary of $152,400. Benefits are estimated to be $28,789 [($152,400 x 15.03%) + $5,883 insurance]. Additional expenses related to the position are estimated to be $14,900 ($11,400 travel + $3,500 communications, supplies, and printing and duplication services).
- The increase in state expenditures due to the addition of an executive director position will be $196,089 ($152,400 salary + $28,789 benefits + $14,900 other).
- According to TRA, the five part-time directors will continue to receive the benefit of a state vehicle. One additional state vehicle lease is estimated to increase expenditures by $9,800.
- The net decrease in state expenditures is estimated to be $162,806 [$746,760 – ($378,065 + $196,089 + $9,800)] in FY12-13.
- The net decrease in state expenditures is estimated to be $290,956 [$746,760 – ($249,915 + $196,089 + $9,800)] in FY13-14 and subsequent years.
- Any cost incurred to collect the necessary information to create the report will not be significant and can be accommodated within existing resources.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

/kml